

FISCAL NOTE

Bill #: HB0134

Title: Income tax credit for expenses for education at Montana Univ. System

Primary Sponsor: George Golie

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$16,035	\$16,028
State Special Revenue		
Federal Special Revenue		
Other		
Revenue:		
General Fund	(\$1,924,733)	(\$1,966,533)
State Special Revenue		
Federal Special Revenue		
Other		
Net Impact on General Fund Balance:	(\$1,940,768)	(\$1,982,561)

☐ Significant Local Gov. Impact

☐ Technical Concerns

☐ Included in the Executive Budget

☐ Significant Long-Term Impacts

☐ Dedicated Revenue Form Attached

☒ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

1. This bill would allow taxpayers who claim the Hope Credit or the Lifetime Learning Credit against their federal income tax to take a new credit against their Montana income tax equal to 10 percent of the federal credit, not to exceed \$500. There is no carryforward or carryback of this credit. In tax year 2003, the maximum allowable Hope Credit was \$1,500 per student and was restricted to expenses for students enrolled in their first two years in an educational program leading to a degree, a certificate, or other eligible educational credential. The maximum amount of Lifetime Learning Credit for tax year 2003 was \$2,000 per family. To be eligible for the Lifetime Learning Credit, the student must take coursework in order to acquire or improve job skills.

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2. This bill is effective upon passage and approval and applies retroactively to tax years after December 31, 2004; thus, the credit proposed by the bill would be available for tax years beginning with 2005. Credits claimed in FY 2006 will be for tax year 2005 and credits claimed in FY 2007 will be for tax year 2006.
3. The following table provides actual and projected amounts for total education credits claimed by Montanans on federal income tax returns for years 1999-2006.

Total Actual and Project Educational Credit Amount Claimed by Montanans on Federal Income Tax Returns		
Tax Year	Actual (A) or Projected (P)	Credit Amount
1999	A	\$16,613,000
2000	A	\$17,410,000
2001	A	\$17,449,000
2002	P	\$17,993,333
2003	P	\$18,411,333
2004	P	\$18,829,333
2005	P	\$19,247,333
2006	P	\$19,665,333

4. Based on the projections, the total amount of credits claimed against Montana income tax for the Hope Credit and Lifetime Learning Credits would be \$1,924,733 in FY 2006 (\$19,247,333 total federal credit amount claimed for tax year 2005 X 10% allowable against Montana state income taxes). For FY 2007, the total tax credit would be \$1,966,533 (\$19,665,333 total federal credit amount claimed for tax year 2006 X 10% allowable against Montana state income taxes).
5. Because of the significance of this credit, the Department of Revenue would require an additional 0.25 FTE for individual income tax compliance work beginning in FY 2006. The additional cost in FY 2006 would be \$16,035 and \$16,028 in FY 2007. No changes to the department's computer systems would be required to process the credits.

FISCAL IMPACT:

	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
FTE	.25	.25
<u>Expenditures:</u>		
Personal Services	\$6,338	\$6,314
Operating Expenses	\$3,897	\$3,914
Equipment	<u>\$5,800</u>	<u>\$5,800</u>
TOTAL	\$16,035	\$16,028

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Funding of Expenditures:

General Fund (01)	\$16,035	\$16,028
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Revenues:

General Fund (01)	(\$1,924,733)	(\$1,966,533)
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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$1,940,768)	(\$1,982,561)
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State Special Revenue (02)

Federal Special Revenue (03)

Other